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IN THE

Supreme Court of the United States

OCTOBER TERM, 1955

NO. 514

E-I-M COMPANY, INC., Petitioner,

v.

PHILADELPHIA GEAR WORKS, INC., Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

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The judgment order of the district court in the subsequent contempt proceeding is also appended (App., p. 15).

An earlier opinion in the case is *E-I-M Company, Inc. v. Philadelphia Gear Works, Inc.,* (C.A. 5, 1953) 205 F. 2d 28. It is copied in the Appendix, p. 16. That opinion was in affirmance of a decision of the district court, opinion reported at 102 F. Supp. 14 (App., p. 21). The district court injunction is also set forth in the Appendix, p. 50.

Jurisdiction.

The judgment of the Court of Appeals was entered May 25, 1955. A petition for rehearing was duly filed but was denied (without opinion) on August 16, 1955. This Court has jurisdiction by reason of the provisions of 28 U.S.C. 1254 (1) and 2101(c).

Questions Presented.

1. Is the *Formica-Marcalus* doctrine *(Westinghouse Co. v. Formica Insulation Co.,* 1924, 266 U.S. 342; *Scott Paper Co. v. Marcalus Co.,* 1945, 326 U.S. 249) applicable in cases where the estoppel is by judgment rather than by assignment or license?

2. If the answer to Question 1 is "Yes", may the later-accused device be justified only where it is a Chinese copy of a prior art item?

3. Where it has been adjudged that a patent is valid and infringed and it is charged that a subsequent, different, device made by the infringer is the "equivalent" of the adjudicated device and hence an infringement, is infringement to be determined by a mere com-

parison of the newly accused device with the adjudicated device, or by comparison of the newly accused device with the patent in the light of the prior art?

4. In the circumstances stated in Question 3, may the question of equivalence be decided in a summary action for contempt, or is the alleged infringer entitled to a trial on that issue, whereat he may compare his newly-accused device with prior art?

Statement of the Case.

Petitioner ("E-I-M") sued respondent ("Gear Works") in 1950 seeking a declaratory judgment that a device then being made by E-I-M, called a "valve operator" and sometimes a "valve control", was not an infringement of any of several patents asserted against it by Gear Works. Gear Works counterclaimed as to one of those patents—Ball patent 2,114,013 ("patent '013"), dated April 12, 1938, now expired (Exh. 117). Gear Works conceded that none of the other patents was infringed and patent '013 is the only one that enters into the controversy (App., pp. 1, 21).

For present purposes, a valve operator may be described as a device mounted on a valve, such as those used on pipelines in the petroleum industry, and serving to open and close the valve as desired. The opening and closing is normally effected by switching on the current to an electric motor, frequently from a control station far from the valve itself, but a handwheel is also provided for manually operating the valve, if necessary.

Devices of this sort are called "non-coincidental" operators because they are so arranged that the hand-

wheel is necessarily out of engagement whenever the motor is in engagement (a safety feature). The separateness of the hand-drive and the power-drive is insured by the use of a clutch, which may optionally be shifted so as to connect the handwheel or the motor.

Non-coincidental operators are broadly old, e.g., in Jones Patent No. 1,864,653 (Exh. 118) and a corresponding (and somewhat fuller) British patent No. 307,444 (Exh. 122). The differences between patent '013 and Jones lie in the mechanisms for controlling the movement of the clutch.

The original litigation between the parties involved a valve operator made by E-I-M, designated as Type "PP" (Tr. II-376 to 386) †. The clutch control mechanism of the Type "PP" was specifically different from the mechanism of patent '013, but the District Court gave patent '013 a broad construction and held it valid and infringed; 102 F. Supp. 14 (App., p. 21).* The Court of Appeals affirmed; 205 F. 2d 78 (App., p. 16).

The Jones patents were cited by E-I-M in the litigation. The clutch shifting mechanism of Jones differs from each of patent '013 and the accused Type "PP" operators, notably in that Jones provided a centrifugal flyball-and-spring device, much like the well-known fly-

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† Vol. II, pp. 376 to 386, of the printed Transcript of Record in Appeal No. 14247.

* The district court dismissed E-I-M's suit for unfair competition and a declaratory judgment and held, *inter alia*, that E-I M was in court with unclean hands, that holding deriving largely from the fact that the moving spirits in E-I-M had formerly been associated with Gear Works and from the circumstances of their leaving and going into business for themselves. (App., p. 41)

ball "governor" (see Webster's New Inter. Dict., 2nd Ed. unabridged, p. 1083), which brings the power-drive into engagement as the motor gets up to speed, and no such mechanism was contained in patent '013 or the Type "PP" operator.

Gear Works differentiated patent '013 from Jones on the grounds (a) that the centrifugal flyball-and-spring device was "foreign to the patented invention", operating "on a wholly different principle", and was "not a detent" [which "detent" was an element of the claimed combination] (R. 54-6)* and (b) that Jones showed additional elements not present in patent '013, namely, a solenoid magnet and a friction clutch (App., p. 26), and Jones was held not to anticipate patent '013 or to negative infringement by the Type "PP" operator.

E-I-M discontinued the Type "PP" operator and went to materially different structures. Only one of them, called the Type "CS" (centrifugal, spring), is here involved (E-I-M Bulletin E 852, Exh. C-1). Its design was based upon the Jones patent (R. 136) and it was commercialized upon the advice of counsel that it did not infringe patent '013. As in Jones, the clutch is biased to and is normally in handwheel-drive position; like Jones, the Type "CS" uses a centrifugal flyball-and-spring device which shifts the clutch to power-drive position as the motor gets up to speed. It does not employ the additional elements of Jones, mentioned immediately above.

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* Printed Transcript of Record in Appeal No. 15261, pages 54 to 56; and see Brief for Defendant-Appellee [Gear Works] in Appeal 14247, p. 31.

On or about August 1, 1952, Gear Works was apprised of E-I-M's marketing of the Type "CS" operator (Murray affidavit, R. 35-6); in September, 1953, moving affidavits were prepared, and on December 3, 1953, Gear Works filed a motion to have E-I-M held in contempt because of the manufacture and sale of the Type "CS" (R. 20). The injunction which had issued forbade manufacture, use or sale of the Type "PP" device, "or any substantial equivalents thereof" (App., p. 50). Gear Works did not contend that the Type "CS" was the same as, or a merely colorable departure from, the Type "PP", but bottomed its charge on the sole proposition that the Type "CS" was the substantial equivalent of the Type "PP" (Panish affidavit, R. 22).

The district judge ruled that the question of equivalence was to be decided by a mere comparison of the Type "CS" with the adjudicated Type "PP" and that prior art could not be considered at all in making the comparison. Such evidence as appears in the record regarding the prior art was specifically excluded from his consideration by the trial judge and his holding that the Type "CS" is the equivalent of the Type "PP" was thus made *in vacuo* (R. 67, 82, 90, 142, 157-8, 226; petitioner's Brief in support of its Petition for Rehearing, p. 8 [certified record transcript, p. 289]; cf. App., p. 2, footnote 1). E-I-M appealed and the judgment now sought to be reviewed (App., p. 14) resulted.

The trial judge had awarded punitive damages to Gear Works because (a) he seemingly thought it was disrespectful of the original decision for petitioner E-I-M to make Type "CS" operators while the former appeal was pending (R. 65); (b) because the casing or shell

of the Type "CS" had the same [unpatented] external configuration as the Type "PP" (App., p. 3, footnote, finding 8); and (c) because the "mounting dimensions", i.e., number of bolts and location of bolt holes—all unpatented—were the same in the Type "CS" as in the Type "PP" (App., p. 3, footnote). The Court of Appeals said that if it "were permitted to review independently of the district court's findings" the issue of willfulness and deliberateness "we might ourselves conclude that the prior course of this litigation and the Jones patent furnish a reasonable basis for a good faith belief that appellant [E-I-M] was entitled to manufacture its presently accused CS structure," and, deeming it the better practice to postpone the question of punitive damages until after the finding of the Court of Appeals, modified the judgment of the district court so as to eliminate that portion decreeing that the present infringement had been willful and deliberate and, as so modified, affirmed it. (App., pp. 12-3).

E-I-M had invoked the *Formica-Marcalus* doctrine but the Court of Appeals held that it was inapplicable because the estoppel was not one "arising from an assignment or license" but from "a binding judicial determination" of the validity of the patent involved (App., p. 9).

The Court of Appeals recognized that the genesis of the "distinctive centrifugal flyball" mechanism in the Type "CS" lay in the prior art Jones disclosure, but it held that the "CS" involved "a substantial departure from the teachings of Jones" because "it fails to incorporate two other elements of the Jones patent, * * *" (App., p. 12).

The Court of Appeals affirmed the ruling of the district court that in contempt proceedings the question of infringement is to be decided solely on the basis of determining whether the new device "is the equivalent of the device held to be infringing," and that "the prior art is not at issue" (App., p. 7); *Patton v. Stone,* (5 Cir. 1949) 178 F. 2d 515, 517. Proceeding on that basis, the Court of Appeals held that the CS device "functions more effectively" than did the PP device, and is "more closely akin" to the Ball patent '013 in that it functions by "mechanical rather than by hydraulic means"; then, "accepting the no longer debatable premise" that the hydraulic mechanism of the PP device was the "full equivalent of the clutch detent mechanism" of patent '013, the Court of Appeals deemed that "consistency and logic" impelled the conclusion that the CS device was also a substantial equivalent of the Type "PP" (App., pp. 8-9). And although the Court of Appeals went on to differentiate the Type "CS" from the disclosures of Jones in the manner above indicated, it did so on the basis of a curtailed record, made on a proceeding wherein petitioner had been precluded from making any full comparison of its later-accused device with the prior art (*supra,* p. 6).

Argument.

It is submitted that the writ prayed for should be allowed for the following reasons:

(1) Question 1 (*supra*, p. 2) presents an important question of patent law which has not been, but ought to be, decided by this Court.

In *Westinghouse Co. v. Formica Co., supra,* this Court said (p. 350) that

> "As between the owner of a patent and the public, the scope of the right of exclusion granted is to be determined in the light of the state of the art at the time of the invention",

and held that in a suit by the assignee of a patent against the assignor for infringement the state of the art might be shown to relieve the assignor from the charge

> "in view of the peculiar character of patent property, * * * Otherwise the most satisfactory means of measuring the extent of the grant the Government intended and which the assignor assigned would be denied to the court in reaching a just conclusion".

Similarly, in *Scott Paper Co. v. Marcalus, supra,* this Court held that the patent laws "dedicated to all the public the ideas and inventions embodied in an expired patent". We submit that the principle of those cases should be applicable whether the estoppel arises out of an assignment or license, or out of a judgment. The Court of Appeals, however, denied the applicability of such decisions because there had not been, in them,

"a binding judicial determination, as here, of the validity of the particular patent involved" (App., p. 9).

The decision below is in conflict with the decision of the Court of Appeals for the Seventh Circuit in *Union Carbide & Carbon Corp. v. Graver Tank & Mfg. Co.*, (1952) 196 F. 2d 103, cert. denied 343 U.S. 967. That was a contempt proceeding which followed the decision of this Court in *Graver Co. v. Linde Co.*, (1950) 339 U.S. 605, wherein the composition claims of the patent in suit had been held valid and infringed. The district court adjudged that a composition of matter employed by Graver subsequent to this Court's decision was a contempt but the Court of Appeals reversed, basing its decision at least in part upon the fact that the newly accused composition stemmed from prior art.

(2) Question 2 (supra, p. 2) also presents an important question of patent law which has not been, but ought to be, decided by this Court.

Patent '013 does not cover non-coincidental valve operators broadly and cannot in view of prior art such as Jones. Patent '013 describes and claims one mechanism for shifting the clutch and holding it (the "detent").

While claim 2 of patent '013, the only claim ever in controversy, has been broadly construed, it is conceded that the clutch shifting mechanism of petitioner's Type CS stems from the prior art Jones patent; the Court of Appeals, however, dismissed Jones from consideration because Jones showed additional structure (*supra*, p. 7).

So the question is whether as matter of law a later-accused device has to be a precise, or "Chinese," copy of

the prior art in order that the maker of that device may invoke it to show non-infringement.

The decision below on this question is in conflict with decisions in other circuits, namely:

Casco Products Corp. v. Sinko Tool & Mfg. Co., (7th Cir. 1940) 116 F.2d 119, cert. denied 312 U.S. 693

Union Carbide & Carbon Corp. v. Graver Tank & Mfg. Co., (7th Cir. 1952) *supra*

Air Devices, Inc. v. Air Factors, Inc. et al., (9th Cir. 1954) 210 F.2d 481.

In the *Air Devices* case, the court (p. 483) refused to construe claims "to bar the use by defendants of that which was not new", or "to cover means which have clear antecedents in the prior patented art".

(3) The decision below, respecting the determination of an "equivalent" as posed by Question 3 (*supra*, p. 2), is believed to be in conflict with, or to misinterpret and misapply, the decisions of this Court in

Graver Tank & Mfg. Co. v. Linde Air Products Co., (1950) 339 U.S. 605

Westinghouse v. Boyden Power Brake Co., (1898) 170 U.S. 537

The basic rule for determining equivalency was stated in the *Graver* case (p. 609), as follows:

> "What constitutes equivalency must be determined against the context of the patent, *the prior art*, and the particular circumstances of the case." (Emphasis supplied).

The court below said "* * * the district court was justified in its factual finding of equivalence between appellant's [E-I-M's] modified CS structure and the heretofore adjudicated PP device." (App., p. 8). The lower court treated the district court's refusal to consider prior art to be without prejudice to E-I-M because of brief mention of Jones but it is clear that E-I-M had no real opportunity to put prior art into evidence or to show the correct relation of its newly accused Type "CS" to such prior art (App., pp. 9-10; *supra*, p. 6; R. 65-7, 226).

The refusal of the courts below to take prior art into account in determining equivalency, and hence infringement, means that the measure of a patent, once adjudicated, is no longer to be determined in the light of the prior art, as against the former infringer; the net effect of the decision below is to substitute a mere comparison with the earlier adjudicated device without any consideration of the prior art, thus setting up a different measure of the scope of a patent as it affects manufacturers who have previously infringed, than for other members of the public. We submit that such an incongruity was not intended by the patent law.

The decision below is in conflict with holdings in other circuits, as follows:

Union Carbide & Carbon Corp. v. Graver Tank & Mfg. Co., (7th Cir. 1952) *supra*

Hartford-Empire Co. v. Obear-Nester Glass Co., (8th Cir. 1938) 95 F. 2d 414

Air Devices, Inc. v. Air Factors, Inc. et al., (9th Cir. 1954) *supra*

In the *Union Carbide* case, decided after the *Graver* decision in this Court, Chief Judge Major wrote (p. 112):

> "In our opinion, the application of the doctrine of equivalency in this case is to ignore * * * the difference * * * which distinguished plaintiff's composition from the prior art * * *."

(4) Question 4 (*supra*, p. 3) is an important procedural question which has not been, but ought to be, decided by this Court.

The Court of Appeals, in applying its prior decision in *Patton v. Stone, supra,* and in affirming the district court's disposition of the charge of a later infringement by summary proceeding on contempt against E-I-M, proceeded in conflict with the following decisions in other circuits:

> *Radio Corp. v. Cable Radio Tube Corp.*, (2nd Cir. 1933) 66 F.2d 778
>
> *American Foundry & Mfg. Co. v. Josam Mfg. Co.*, (8th Cir. 1935) 79 F.2d 116
>
> *Hartford-Empire Co. v. Obear-Nester Glass Co.*, (8th Cir. 1938) 95 F.2d 414

A statement of the rule appears in *Hartford-Empire* in these terms (p. 417):

> "* * * rule of decision * * * in situations of proceeding against a new device where an infringement injunction is in force. That rule is that where the difference between the new and the accused [adjudicated] device appears to be substantial or doubtful—not merely colorable—the plaintiff will be denied relief by attachment for contempt and relegated to other remedies."

No contention is made that the Type "CS" operator is "merely colorably different" from the adjudicated Type "PP"; to the contrary, the court below noted "specific divergencies in physical structure and methods of operation" (App., p. 3). And the record affirmatively shows material structural and operational differences between E-I-M's earlier adjudicated Type "PP" and newly accused "CS" operator* (R. 70-75).

Despite this recognition by the Court of Appeals that there were good grounds in the record whereby it might conclude that E-I-M had proceeded in good faith, it nevertheless adhered to the district court's disposition of the issue by the summary process of contempt.

In view of the exclusion of prior art petitioner has been deprived of a trial with respect to the Type "CS" operator (*supra*, p. 6). In the *Hartford-Empire* case, the Court wrote (p. 426):

> "The differences between the two new devices and the accused device (first suit) are such that, obviously, a determination of infringement by the new devices will require different lines of evidence and a full hearing."

This Court said in *California Paving Co. v. Molitor*, (1885) 113 U.S. 609, 618:

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* Radical difference between E-I-M's Type "CS" and Ball patent '013 in the contempt proceeding is shown by the issuance to Gear Works of Kron patent 2694320 in November 1954 after the record below had been printed and filed. The Kron patent differentiates patent '013 and is an obvious copy of E-I-M's "CS" operator (E-I-M Petit. for Rehearing; certified transcript to this Court, pp. 291, 311). In *Westinghouse v. Boyden, supra*, the Court quoted the following statement with approval (p. 554):

> "* * * if these several means are *not* mechanical equivalents, each of them is patentable" (Emphasis supplied).

"The latter method [a new suit] is by far the most appropriate one where it is really a doubtful question whether the new process adopted is an infringement or not. Process of contempt is a severe remedy, and should not be resorted to where there is fair ground of doubt as to the wrongfulness of the defendant's conduct."

It might perhaps be deemed that the language just quoted from the *Molitor* case makes the procedural decision discretionary with the trial court, but the above-cited decisions in other circuits hold otherwise, and both the *Radio* case and the *American Foundry* case cite *Molitor*. The conflict should be resolved by this Court.

Conclusion.

For the foregoing reasons, petitioner prays that this petition for a writ of certiorari be granted.

Respectfully submitted,

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November, 1955.

[redacted]

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Respondent.

REPLY TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT.

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Statement of Service by Mail is Attached.

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REPLY TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT.

COUNTERSTATEMENT TO THE QUESTIONS PRESENTED.

This is a patent infringement proceeding wherein Petitioner was first adjudicated to be an infringer, and later held in contempt of injunction.

Far from being definitive of issues present in this case, the four "Questions Presented," as set forth in the petition, have no application because:

1. Petitioner did have a full trial on the contempt issue.

2. At the contempt trial, the newly-accused device was compared, element for element, with the patent claim, as construed in the light of the prior art under the previous adjudication.

3. At the contempt trial, Petitioner did not offer the Jones patents, as such, in evidence, but sought instead to retry and reargue matters ruled against it in the original action.

4. At the contempt trial, it soon became apparent that Petitioner's argument that it had followed the teachings of Jones amounted to no more than a repetition of the same argument which the Court of Appeals had previously found to be wanting in substance.

5. Even so, the Trial Judge allowed the testimony to proceed, and ordered all of the exhibits offered by Petitioner, including those relating to prior art, to be sent with the record to the Court of Appeals "for use on the appeal."

6. By stipulation of the parties, the entire record of the original trial, including all of the prior art, was made a part of the contempt record on appeal.

7. On the appeal from the contempt order, the Jones patents were again considered by the Court of Appeals, and were found to be so different from both the patented and the newly-accused devices as to have no bearing upon the contempt issue.

COUNTERSTATEMENT OF THE CASE.

The Original Infringement Action.

This cause was originally tried in May of 1951 before the District Court for the Southern District of Texas on a Complaint filed by Petitioner, seeking a declaratory judgment, and on a counterclaim by Respondent, charging Petitioner with patent[1] infringement. After a lengthy trial (R. 68),[2] the District Court dismissed the Complaint and sustained the counterclaim (App. 21-50). In the judgment, Petitioner was enjoined from making the accused devices, "or any substantial equivalents thereof" (App. 50).

Petitioner appealed the decision of the District Court to the Court of Appeals for the Fifth Circuit. In an opinion rendered June 12, 1953 (App. 16), the Court of Appeals affirmed the judgment of the District Court.

In both the District Court and the Court of Appeals, Petitioner relied heavily upon various prior art patents, including particularly Jones British Patent No. 307,444 and Jones United States Patent No. 1,864,653. Both Courts found that the prior art, including the Jones patents, neither negatived the patentability of the invention, nor limited the scope of the patent claim in suit (App. 19, 25-26), and hence that the claim was entitled to "a reasonable breadth of construction" (App. 48).

Notwithstanding the issuance of the injunction, and while its first appeal was pending, Petitioner began to manufacture and sell valve operators of a somewhat modified, but basically similar, construction.

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1. Ball Patent No. 2,114,013, expired as of April 12, 1955, for valve controls.

2. The references "R." and "App." indicate pages of the transcript of record below and of Petitioner's appendix, respectively.

The Contempt Action.

On December 3, 1953, Respondent filed a motion for an order holding Petitioner in contempt of injunction by reason of its manufacture and sale of the modified valve operators. The motion as filed was supported by three accompanying affidavits, as well as by various documentary exhibits (R. 20-39).

Petitioner, in opposing the motion, filed two affidavits, including one by its President, James N. Morrell (R. 40-60). The Morrell affidavit sought to justify Petitioner's newly-accused devices on the basis of the same prior art relied upon at the original trial. A substantial portion of this affidavit was devoted to an argumentative interpretation of the Jones patents, and for this purpose various drawings were attached thereto (R. 44-59; Pl's Exs. A, B, C, D).

When the motion came on for hearing on January 25, 1954, Petitioner requested that the issue be tried on the basis of testimony in open court (R. 156). This request was granted and testimony was presented on behalf of both parties.

At the conclusion of Petitioner's examination of its single witness, the Trial Court asked Petitioner to call its next witness (R. 153). Petitioner then stated (R. 154):

> "Your Honor, that's the only witness we intended to put on."

At the contempt trial, Petitioner did not offer the Jones patents in evidence. Instead it offered fragments of the Jones drawings, omitting the electrical circuits and all descriptive material, and additional interpretive drawings of its own making (originally identified as Pl's Exs. C-1, C-2, later changed to J and J-1; R. 90-91, 244), arguing that its purpose was to show that it had copied the prior art (R. 66, 135-6). This argument, however, evaporated when Petitioner's witness, Ince, admitted that the new

structure differed from the Jones patents in the very respects which were found to be critical [3] in the previous decision of the Court of Appeals (R. 144, App. 19-20, 25-27).

Upon recognizing that Petitioner's real purpose was to re-try the original issue (scope of the patent in the light of Jones) already adjudicated at the Court of Appeals level, the Trial Judge first excluded the aforementioned proffered exhibits. Later, however, he ruled that every exhibit relating to prior art should be identified and made available "for use on the appeal" (R. 90-1, 243) and permitted the testimony to proceed for the purpose of the record (R. 139-143).

In holding that the newly-accused device violated the injunction, the Trial Court compared the device, element for element, with the patent claim (Findings Nos. 4-6, App. 2-3) in the light of the previous adjudication by the Court of Appeals wherein the metes and bounds of the invention had been delineated (Finding No. 7, App. 3). He found that as to five of the six elements set forth in the patent claim in suit, there was virtual identity with those of the adjudicated device (Finding No. 4; App. 2-3); that as to the sixth and final element, it was "even closer" to the Ball patent (Finding No. 6; App. 3); and that there was a very close similarity in external appearance, interchangeability, etc., between the newly-accused and adjudicated devices (Finding No. 8; App. 3-4), as well as full equivalence in terms of function and result (Finding No. 7; App. 3). On this basis, he awarded double damages to Respondent (App. 16).

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3. In the Jones device, movement of the clutch is effected electrically through the medium of a solenoid (original findings 11 to 13; App. 25-27). In the newly-accused device, as in the Ball patent, the clutch is released mechanically and automatically by power-driven mechanism, not by an electrical current. So also, in many other respects, the newly-accused device represents a "substantial departure from the teachings of Jones," as pointed out in the decision of the Court of Appeals (App. 12).

The Appeal from the Contempt Order.

When Petitioner filed its appeal from the contempt order, it was stipulated by the parties (R. 18) that the entire original record, including the Jones patents and all other prior art, was to be forwarded to the Court of Appeals for the Fifth Circuit as a part of the record on appeal. Meanwhile, the Trial Judge ordered that every exhibit offered at the contempt hearing be forwarded "for use on the appeal" (R. 243).

At the argument on appeal from the contempt order, the Jones patents were again given the fullest consideration. In its decision of May 25, 1955, which affirmed the contempt order while modifying the award of double damages, the Court of Appeals agreed with the District Court that the newly-accused device was even closer to the patent than had been the previously accused device (App. 8).

The Court of Appeals further found, in the light of all the facts, that no prejudice had resulted to Petitioner from the rulings of the District Court with regard to prior art (App. 10). Not only did the Court of Appeals note that the Trial Judge had permitted Petitioner to elicit testimony relating to the Jones patents (App. 9), but it also stated that the record demonstrated beyond question that the newly-accused device was "a substantial departure" from the teachings of Jones (App. 12). Finally, the Court of Appeals stated (App. 10):

> "In fact, we think both sides have here been afforded adequate opportunity to develop the record on the controlling issue of whether the presently accused CS Operator is 'in fact and in law the equivalent of the adjudicated structure.' "

ARGUMENT.

No Issues Are Presented in This Case Warranting the Grant of a Writ of Certiorari.

Mindful of the admonition of this Court in *Furness, Withy & Company, Limited v. Yang-tsze Insurance Association, Limited,* 242 U. S. 430, 433, we conceive it our duty to show that no issues are presented in this case which would compel or warrant the grant of a writ of certiorari.

This Court, in *Keller v. Adams-Campbell Company, Inc.,* 264 U. S. 314, 319, stated that a patent infringement case should not be brought up "by certiorari unless it be necessary to reconcile decisions of Circuit Courts of Appeal *on the same patent*" (italics ours). The patent in suit has never been litigated before any Courts other than the Courts below; no conflict of decision exists with respect to it.

The factual situation here is very simple; and no new principle of law is involved. If there be any issue, it may be stated thus: An infringer has been charged with violation of an injunction. It is clear that the newly-accused device is not merely within the patent claim; it is even closer to the patent than was the adjudicated device. It obviously differs in structure and function from the prior art previously offered and considered. Under such circumstances, should the infringer be permitted to re-try the scope of the patent, such issue having already been adjudicated at the Court of Appeals level?

Petitioner's Alleged Question No. 1.

In presenting its alleged question No. 1, Petitioner seeks to show that the decision of the Court below is in conflict with the decisions of this Court in *Westinghouse Electric & Manufacturing Company v. Formica Insulation*

Company, 266 U. S. 342 and *Scott Paper Co. v. Marcalus Manufacturing Co., Inc.,* 326 U. S. 249, and with the decision of the 7th Circuit in *Union Carbide & Carbon Corp. v. Graver Tank & Mfg. Co., Inc.,* 196 F. 2d 103, cert. den. 343 U. S. 967. However, in none of these cases was the finality of a previous adjudication regarding the scope of a patent claim at issue.

In *Westinghouse v. Formica,* this Court held that while an assignor of a patent is estopped from denying the validity thereof in an action for infringement, he is not prevented from narrowing or qualifying the scope of the claims by resort to the prior art.

In *Scott v. Marcalus,* this Court held that the assignor of a patent has a complete defense to an action for infringement where the accused device is that of an expired patent.

In *Union Carbide v. Graver,* involving a contempt proceeding, the question of the re-admissibility of the prior art reviewed in the first proceeding was not raised. Rather, the Court of Appeals, in finding that the infringer was not in contempt, ruled that the patentee was estopped by its previous representations, both in the Patent Office in securing its patent and in the Courts in sustaining the claims thereof, from asserting a scope broader than that which it accorded the claims when it made such representations.

It is clear that the facts of the instant case are altogether different from those involved in the above cases. Here, the scope of the patent claim in suit had been judicially determined as between the parties. Its metes and bounds, as well as its novelty over Jones, had been defined by the adjudication in the initial litigation. Under such circumstances, it would have been presumptuous for the District Court to "rehash" the prior art already found to be lacking in relevancy.

Petitioner's Alleged Question No. 2.

The second question framed by Petitioner actually begs the basic question in this case, which is whether Petitioner,

in manufacturing the newly-accused device, violated the injunction of the District Court. The Courts below, in ruling that the injunction had been violated, specifically found that the newly-accused device was even closer to the patent than had been the previously adjudicated device.

While Petitioner intimates in its petition (p. 10) that it is conceded that the clutch shifting mechanism of the newly-accused device stems from the Jones patents, the record will show that no such concession has ever been made by Respondent. Our position throughout this proceeding has been that the mechanical clutch shifter of the newly-accused device is unlike that of the Jones patents.[4] The Court of Appeals has sustained this view.

There is no conflict here with the decisions of other circuits cited in the Petition.[5]

In *Casco v. Sinko,* the Court of Appeals for the Seventh Circuit held, in a suit for specific performance of a patent license agreement, that while the licensee is estopped to assert that the patents under which it is licensed are invalid, it is not estopped to prove that the accused devices which it is manufacturing are built wholly according to the teachings of the prior art, and hence not within the scope of the license.

In *Union Carbide v. Graver,* where the issue of contempt of injunction was raised, the newly-accused device was admittedly further removed from the claims of the patent than had been the initially adjudicated device. In this case, the Court held that since the patentee, in both

4. See, for example, Respondent's answer to Petitioner's petition below for rehearing wherein we stated, at pages 2-3:

"At a glance, it may be seen that the presently accused E. I. M. device is mechanical, not electrical, that it has no friction clutch or solenoid, and that the shifting of its clutch *is* effected in response to the operation of the power-driven mechanism. Its principle of operation is similar to that of the Ball structure and unlike that of Jones."

5. *Casco Products Corp. v. Sinko Tool & Mfg. Co.,* 7 Cir., 116 F. 2d 119, cert. den. 312 U. S. 693. *Union Carbide & Carbon Corp. v. Graver Tank & Mfg. Co., Inc.,* 7 Cir., supra. *Air Devices, Inc. v. Air Factors, Inc.,* 9 Cir., 210 F. 2d 481.

the Patent Office and the Court, had sustained his patent by representing that the claims were of a breadth so limited as not to include the newly-accused structure, he was estopped from later asserting that such structure was within the scope of his patent.

In *Air Devices v. Air Factors*, the Court merely held, in an infringement suit, that the claims of the patent were so limited by the prior art as not to read upon the accused device, and hence there was no infringement. The Court further indicated that if the claims were to be construed broadly enough to read on the accused device, they would be invalid in the light of the prior art.

Petitioner's Alleged Question No. 3.

The third question posed by Petitioner does not relate to any issue involved in this case for the newly-accused device was compared, by both Courts below, with the adjudicated device in relation to the patent in suit, as construed in the light of the prior art (App. 15), and by the Court of Appeals directly with the Jones patents (App. 11-12).

Petitioner's Alleged Question No. 4.

As the facts in this case clearly show, Petitioner's proposed question No. 4 is moot; it is not an issue in this case.

Although the issue of contempt was initiated by motion and affidavits, the proceeding later developed into a full-fledged trial. The parties were given the same opportunity to call and examine witnesses, and to introduce pertinent evidence, as they would have received had the action been instituted by a supplemental bill for infringement.

Reference is made by Petitioner to cases relating to attempted enforcement of an injunction as applied to devices substantially different from a previously adjudicated infringing structure and doubtfully covered by the patent. Manifestly, such cases have no application here for both

the District Court and Court of Appeals have found that in the newly-accused structure the elements are either "identical to those used in the adjudicated structure," or "involve only minor changes in shape or proportions," or are "even closer to the mechanism shown in the Ball patent" (Findings Nos. 4 and 6; App. 2-3). In the light of such findings, Petitioner's position is even less equitable than that of an infringer who has turned to a "colorably different" device. Surely, an infringer under injunction should not be permitted to escape an action for contempt on the ground that he has turned to a construction more nearly resembling that of the patent.

CONCLUSION.

The Petition should be denied.

Respectfully submitted,

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FILED
DEC 21 1955
HAROLD B. WILLEY, Clerk

IN THE

Supreme Court of the United States

OCTOBER TERM, 1955

NO. 514

E-I-M COMPANY, INC., Petitioner,

v.

PHILADELPHIA GEAR WORKS, INC., Respondent.

PETITIONER'S REPLY BRIEF
[with additional appendix]

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pp. 4, 12) if the litigation went forward (*infra*, p. 10[1]). Respondent is now seeking to take advantage of its own maneuvering; cf. *Schriber-Schroth Co. v. Cleveland Trust Co.*, (1938) 305 U.S. 47, 50, and cases there cited.

Nor does the *Keller* case have the limited effect for which respondent contends. To the contrary, it plainly indicates that where, as here, important questions of patent law are involved (as distinguished from a case where only the "usual issues" of invention, breadth of claims and non-infringement are presented) the writ should be granted, as was done in *Scott Paper Co. v. Marcalus Co.*, (1945) 326 U.S. 249 and *A & P. Tea Co. v. Supermarket Corp.*, (1950) 340 U.S. 147.

II

Respondent's major insistence is that the device charged as a contempt was found by the District Judge to be "even closer" to the patent in suit than was the device originally adjudged to infringe (Respt's. Br., pp. 5, 6, 7, 9, 11). That begs the real question—even if the finding (No. 6, App., p. 3) be accorded the scope contended for by respondent, the real question still is whether the newly accused device may be compared with prior art when it is "even closer" to that art than was the device originally found infringing.

At the contempt hearing before the District Judge, petitioner invoked this Court's decision in *Scott Paper Co. v. Marcalus* for the proposition that petitioner was entitled "to manufacture and sell under any expired patent", and undertook to show that the device charged as a contempt derived from the prior art Jones patents,

1. The proposed depositions there referred to were for the purpose of establishing the practicability and commercial use of the Jones device.

but respondent's objections were uniformly sustained and the offered proofs were ignored by the District Judge, albeit in some instances he "let him answer for the purpose of the record" (see, e.g., R. 136).

The vice of the refusal to permit a comparison with prior art, and the resulting conflict with decisions in other circuits[2], is emphasized by brief reference to finding 6 itself: The "lever and spring combination" there referred to is the same as in Jones; Jones is "not hydraulic"; and if the new device "functions more accurately and more positively * * * than the mechanism formerly used" it is because the new device employs the centrifugal flyball and spring mechanism of Jones (R. 44)[3], which respondent, in order to sustain its patent

2. Contrary to respondent's contention (Respt's Br., p. 9) the newly accused flux in *Union Carbide v. Graver* was *not* "admittedly further removed from the claims of the patent" than was the original flux. To the contrary, the newly accused fluxes were "practically the same as the compositions made up from plaintiff's patent" (Dist. Ct. Opinion, 93 USPQ 158, 159). The District Judge (like the District Judge in the case at bar) deemed that sufficient to find contempt but the Court of Appeals held that it did not suffice, and that the comparison could only be made in the light of prior art. On the other hand, the Court of Appeals in the case at bar ruled that the comparison was solely between the newly-accused device and the one previously held to infringe and that "the prior art is not at issue" (App., pp. 7, 9-10).

3. The alleged "admission" of petitioner's witness Ince (Respt's Br., pp. 4-5) was simply that the "CS" device does not include a solenoid magnet, a matter as to which there has never been any dispute (Petition, p. 5); respondent is thus merely arguing, circuitously, in favor of the "Chinese copy" theory challenged by Question 2 (Petition, p. 2, pp. 10-11).

in the first instance, had differentiated as something "foreign to the [Ball] invention" and operating "on a wholly different" principle (Petition, p. 5), an antithesis even more notable than that condemned in *Schriber-Schroth Co. v. Cleveland Trust Co.,* (1938) 305 U. S. 47, 58-9.

It is accordingly clear that the decision below is in conflict not only with the decisions cited in our petition but also with:

T. L. Smith Co. et al. v. Cement Tile Machinery Co., (C.A. 8, 1919) 257 Fed. 423, 424, cert. denied 250 U. S. 669, and

United States Rubber Co. v. General Tire & Rubber Co., (C.A. 6, 1942) 128 F. 2d 104, 108.

III

Respondent also seeks to distinguish from the cases in other circuits on the ground that the "scope" of its patent was determined once and for all on the original appeal (Respt's. Br., pp. 3, 5, 7, 8). Actually, that decision (App., p. 16) went no further on "scope" than to hold that the type "PP" device was within the patent; and the injunction was correspondingly limited to the "PP" device "or any substantial equivalents thereof" (App., p. 50). The flyball-and-spring mechanism of the newly-accused "CS" device was *not* before the court for an adjudication on infringement in the original proceeding (cf., the *Smith* and *United States Rubber* cases above cited) but was considered only in the context of the Jones patent and was disclaimed by respondent (Petition, p. 5). So there is nothing about the original decision below as to "scope" that makes the conflict any less real than is stated in the petition.

IV

Respondent denies the existence of Question 4 (Petition, p. 3, p. 13), and asserts that there was in fact a "full" or "full-fledged" trial (Respt's. Br., pp. 2, 10). It is true that the District Judge received some (but by no means all) of petitioner's proffered evidence "for the record," but it is equally true that he sustained objections to all evidence comparing the newly-accused device with the prior art and rigorously excluded from his consideration everything that was offered in that regard. And the decision of the Court of Appeals presents the strange anomaly of a holding, on the one hand, that "it would be the better practice" for the District Judge to receive the evidence and make the comparison (App., p. 10) and, on the other hand, accepting and relying in its own decision upon findings made without regard for the prior art (App. pp. 8-9). Whether the proceeding in the District Court be styled a "trial" or not, the procedural question raised by Question 4 is still present.

Respectfully submitted,

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December 19, 1955.

APPENDIX

Philadelphia Gear Works, Inc., v. Kerotest Mfg. Co.
Civ. No. 8668.

United States District Court
W. D. Pennsylvania.

Dec. 28, 1951.

[*reported at 101 F. Supp. 820*]

* * * * * * *

[820] *Christy, Parmelee & Strickland, Pittsburgh, Pa., Henry N. Paul, Jr., Philadelphia, Pa., for plaintiff.

Walter J. Blenko, and Blenko, Hoopes, Leonard & Glenn, all of Pittsburgh, Pa., for defendant.

STEWART, District Judge.

Plaintiff filed this action on March 22, 1950, alleging an infringement of letters patent No. 2,114,013 by the defendant and seeking an injunction against further infringement, and accounting for profits and damages, an assessment of costs and attorneys' fees and for "such other and further relief as shall seem to the court in equity and good conscience to be required". An answer was filed on behalf of the defendant on June 26, 1950. The case is now before the Court on plaintiff's motion to dismiss on the following terms and conditions:

(a) That the plaintiff shall not again assert a claim against defendant for infringement upon Ball Patent No.

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* The numbers in brackets indicate the paging in the Official Report.

2,114,013 by reason of its use or sale of any apparatus, nor shall plaintiff assert a claim against any vendee of Kerotest Manufacturing Company by reason of its use or sale of any apparatus supplied by Kerotest Manu- [821] facturing Company or against any successor in title to the apparatus mentioned above by reason of its use or sale thereof.

(b) That plaintiff shall pay to defendant all taxable statutory costs, said costs to be taxed by the Clerk pursuant to the rules. Defendant opposes the motion contending that the conditions do not afford adequate protection or reimbursement to it.

Rule 41(a)(1) of the Federal Rules of Civil Procedure, 28 U.S.C. provides, in part: "* * * an action may be dismissed by the plaintiff without order of court (i) by filing a notice of dismissal at any time before service by the adverse party of an answer or of a motion for summary judgment, whichever first occurs, or (ii) by filing a stipulation of dismissal signed by all parties who have appeared in the action. * * *"

Rule 41(a)(2) provides, in part: "Except as provided in paragraph (1) of this subdivision of this rule, an action shall not be dismissed at the plaintiff's instance save upon order of the court and upon such terms and conditions as the court deems proper. If a counterclaim has been pleaded by a defendant prior to the service upon him of the plaintiff's motion to dismiss, the action shall not be dismissed against the defendant's objection unless the counterclaim can remain pending for independent adjudication by the court."

Since an answer has been filed in this case and since no stipulation of dismissal has been entered into by the parties, the action may be dismissed only "upon order of the court and upon such terms and conditions as the court deems proper". No counterclaim has been filed in this case so the question of dismissal is one addressed to the discretion of the court. Young v. Wilky Carrier Corp., 3 Cir., 1945, 150 F.2d 764.

The judicial discretion authorized by Rule 41(a)(2) has been construed to allow dismissal, upon payment of costs, "unless the defendant would suffer some plain legal prejudice other than the mere prospect of a second law suit". Cone v. West Virginia Pulp & Paper Co., 1946, 330 U.S. 212, 67 S.Ct. 752, 755, 91 L.Ed. 849; New York, C. & St. L. R. Co. v. Vardaman, 8 Cir., 1950, 181 F.2d 769; Home Owners' Loan Corporation v. Huffman, 8 Cir., 1943, 134 F.2d 314.

In Home Owners' Loan Corporation v. Huffman, supra, the Court states the issue under Rule 41(a)(2) to be whether the defendant will lose any substantial right by the dismissal. It seems to us that this should be the primary consideration in the exercise of the discretion vested in us by virtue of Rule 41(a)(2).

Defendant's objection to a dismissal is based on two contentions. First, the defendant argues that it needs the protection which it would obtain if successful in a trial on the merits, i. e., the right to make any apparatus, or to have it made, free of the patent, as well as the right to use and sell it. Secondly, the defendant argues that if a dismissal is granted, then a condition

of that dismissal should be that the plaintiff agrees to pay the defendant's attorneys' fees.

Defendant's first objection presupposes that the Court would necessarily determine the question of validity if the case went to trial. Although, as pointed out by the Supreme Court of the United States in Sinclair & Carroll Co., Inc., v. Interchemical Corporation, 1945, 325 U.S. 327, 65 S.Ct. 1143, 89 L.Ed. 1644, an inquiry into validity as well as infringement will normally be the better practice, it does not follow that the Court must necessarily determine the question of validity in an infringement suit where a judgment of non-infringement is entered. Kennametal, Inc., v. American Cutting Alloys, Inc., D.C. D.Del. 1948, 77 F.Supp. 136. There are more cogent reasons, however, which refute defendant's objection and support an allowance of dismissal.

It does not seem to us that the defendant will lose any substantial right by a dismissal. Defendant's first objection, in effect, is that it will lose the right to have the validity of the patent determined. However, this position cannot be sustained since defendant may file an action in its own behalf for a declaratory judgment [822] of invalidity of the patent. It may be noted that the defendant's indemnitor, E. I. M. Co., Inc., has filed such an action in the District Court for the Southern District of Texas, Civil Action No. 5549. Furthermore, although defendant insists that it needs the right to make any apparatus, free of the patent, as well as the right to use and sell such apparatus, it appears that the defendant has never manufactured such apparatus, namely, valve controls, and to say that in the future the defendant might do so is purely conjectural. The plaintiff's motion

to dismiss should not be denied to preserve so insubstantial an interest. See Larson v. General Motors Corporation, 2 Cir., 1943, 134 F.2d 450.

Finally, it seems to us that the only thing that the defendant might lose by a dismissal of this action is the time and money spent in preparation for trial. Neither of these constitutes a loss of a substantial right. In this connection, it should be noted that this action is in its preliminary stages and that counsel are not prepared for trial at this time. On the contrary, defendant has filed a motion for leave to take depositions in England and it appears from the oral argument of counsel that matters which they hope to uncover there would constitute their main evidence of prior art in an attack on the validity of the patent. Upon learning that the defendant desired to take these depositions, plaintiff promptly filed this motion to dismiss.

Defendant relies very strongly on the case of White v. E. L. Bruce Co., D.C. D.Del. 1945, 62 F.Supp. 577, in which the District Court for the District of Delaware refused to permit a patent owner to withdraw its claim of infringement where the trial had been fixed, continued and fixed again for a date certain. No trial date has been fixed in the case at bar. On the contrary, as pointed out heretofore, counsel are not prepared for trial at this time, and according to all indications will not be ready until a date several months in the future. But a more important difference exists between the case at bar and the case of White v. E. L. Bruce Co., supra. There, the patent owner sought to withdraw the patent from suit with complete freedom to sue the alleged infringer in the future, while here the plaintiff seeks only

a qualified dismissal—a dismissal which, in effect, is substantially equivalent to a decree of non-infringement. The plaintiff is willing to pay the taxable costs of this action and to covenant not to bring any new action against defendant or its customers under the patent here involved by reason of their use or sale of the devices involved in this controversy. It seems to us that these terms will adequately safeguard the defendant against the institution of a second suit based on the same acts which gave rise to this suit.

Defendant's second objection that adequate reimbursement to it requires that plaintiff be obligated to pay the attorneys' fees as well as the taxable costs cannot be sustained on the record of this case. Although, under § 70 of Title 35 of the United States Code, the Court may in its discretion award reasonable attorneys' fees to the prevailing party upon the entry of judgment on any patent case, it is clear that attorneys' fees are not to be allowed as a matter of course to the prevailing party. Associated Plastics Companies, Inc. v. Gits Molding Corporation, 7 Cir. 1950, 182 F.2d 1000; Union Nat. Bank of Youngstown v. Superior Steel Corporation, D.C. W.D.Pa. 1949, 9 F.R.D. 117. Furthermore, the Congressional history of the amendment indicates that this power was to be used sparingly.[4] A search of the cases decided under this Section indicates that the test for the exercise of discretion by the Court in this regard

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4. "It is not contemplated that the recovery of attorney's fees will become an ordinary thing in patent suits. * * * The provision is also made general so as to enable the court to prevent a gross injustice to an alleged infringer." Senate Report No. 1503, June 14, 1946, U.S.Code Congressional Service 1946, page 1387.

seems to be one of determining whether the unsuccessful party proceeded in good faith or whether the suit was merely harassing or vexatious. Associated Plastics Companies, Inc. v. Gits Molding Corporation, supra; Knickerbocker Plastic Co., Inc. v. Allied Molding Corporation, D.C.S.D.N.Y. 1950, 96 F.Supp. 358 [823] No showing of bad faith on the part of the plaintiff has been made in this case. Neither does it appear that the suit was vexatious or harassing. Accordingly, we do not feel that defendant would be entitled to counsel fees even if this case proceeded to trial and defendant were successful on the merits. Certainly, the defendant is in no better position where, as here, the action has not proceeded to trial, but, on the contrary, is only in the preliminary stages.

Therefore, plaintiff's motion to dismiss upon the conditions and terms submitted by it will be granted.